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Thailand

Sugar Semi-annual

2011

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Report Highlights:

TH1123 MY 2011/12 sugar production is revised up to a record 10.2 million tons, up 5.2 percent from the previous year's bumper sugarcane crop of 90 – 100 million tons due to better-than-expected average yield resulting from favorable weather conditions. Consequently, sugar exports are forecast to increase to a record 8.7 million tons in MY2011/12.

Executive Summary:

MY 2011/12 sugar production is revised up to a record 10.2 million tons, up 5.2 percent from the previous year's bumper sugarcane crop of 90 – 100 million tons due to better-than-expected average yield resulting from a favorable monsoon season. In addition, the flooding damage will likely be marginal as sugarcane crop is cultivated upland. However, sugar consumption is revised down to 2.3 and 2.4 million tons in MY2010/11 and MY2011/12 in anticipation of a slowdown in the Thai economy. Consequently, sugar exports are forecast to increase to a record 7.4 million tons in MY2010/11 and 8.7 million tons in MY2011/12. This export momentum will likely continue in MY2012/13 as three new sugar facilities are expected to initiate operations and increase the country's total milling capacity to approximately 1.0 million tons/day, as compared to the existing 47 mills with milling capacity of 0.9 million tons/day.

Commodities:

Sugar Cane for Centrifugal

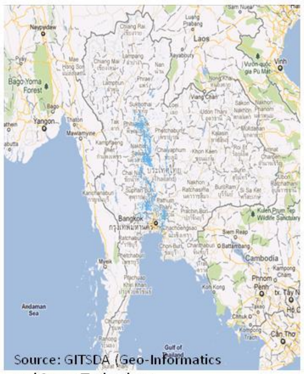
Sugar, Centrifugal

Production:

According to the official MY2010/11 crushing report by the Office of Cane and Sugar Board (OCBD), sugarcane production is revised up to 95.7 million tons, up 38.7 percent from the previous year, due to better-than-expected average yield of12.2 tons/rai (76.56 tons/hectare), up 16.0 percent from the previous year driven by a prolonged rainfall season that ended a month before the harvest. Consequently, sugar production increased to a record 9.7 million tons, up 39.4 percent from the previous year.

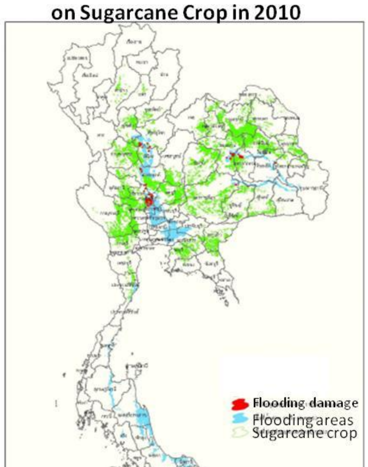
MY2011/12 sugarcane production is revised up to 100.0 million tons, up 4.4 percent from the previous year in anticipation of an average yield improvement following a favorable monsoon season. Despite the government's report of critical flooding in the lower northern and central plain areas of 5.1 million rai (0.8 million hectares) during August – September 2011, the Office of Cane and Sugar Board (OCSB) expects a marginal impact on MY2011/12 sugarcane crop as most sugarcane crop is cultivated upland. The damaged areas are estimated at around 30,000 rai (4,800 hectares), which account for 0.4 percent of the total cultivated area (Figure 1 and 2). Meanwhile, above-normal precipitation will likely improve the average sugarcane yield to 12.3 tons/rai (76.92 tons/hectare), up 0.5 percent from the previous year. In addition, the extraction rate of sugarcane for sugar is expected to increase to 104.0 kg/ton of cane in MY2011/12, as compared to 101.3 kg/ton of cane in the previous year when rainfall was prolonged due to the La Nina phenomenon. Presently, the probability for La Nina remains low during the harvesting period in November 2011 – April 2012. Consequently, sugar production is revised up to 10.2 million tons, up 5.2 percent from the previous year.

Figure 1: Flooding areas in 2011, as of Sep. 21 (as indicated in blue color)



Source: GITSDA (Geo-Informatics and Space Technology Development Agency (Public Organization)

Figure 2: Flooding Damage on Sugarcane Crop in 2010



Source: Office of Cane and Sugar Board

Consumption:MY2010/11 – MY 2011/12sugar consumption is revised down to 2.3 million tons and 2.4 million tons, respectively, due to a slowdown in economic growth. MY2010/11 sugar consumption is lower than expected. In the first half of 2011, total sugar consumption increased only 2.3 percent, far behind the expected annual growth rate of 13.0 percent in the previous forecast, due to lower-than-expected sugar demand in the beverage industry. Overall demand in the beverage industry declined 0.2 percent from the previous year following a drop in non-alcoholic beverage consumption due to the unusual lower-than-normal summer temperatures caused by La Nina phenomenon earlier this year. The beverage industry accounts for 45.0 percent of total sugar consumption in the industrial sector. In addition, economic activity will likely slowdown in the second half of the year due to the flooding during August – October, and as the global economy slows down in the second half of the year which will extend thorough next year. The latest International Monetary Fund (IMF) forecast has revised global economic growth down from 4.3 to 4.0 percent in 2011, and from 4.5 to 4.0 percent in 2012.

Trade:

MY2010/11 and MY2011/12 sugar exports are revised up to 7.4 million tons and 8.7 million tons, respectively, in anticipation of larger supplies of sugar from bumper sugarcane crops. During January – June 2011, total sugar exports increased to 4.2 million tons (raw value), up 21.9 percent from the previous year. The increase reflects a surge in raw sugar exports, which nearly doubled from the previous year, particularly to Japan, South Korea, Malaysia, and Russia due to limited exportable supplies from Australia and Brazil caused by unfavorable weather conditions. In addition, Thailand will be able to fulfill the FY2012 U.S. tariff quota (TRQ) of raw cane sugar of 15,027 tons (raw value) and has offered to supply an additional 100,000 metric tons (raw value) if a quota reallocation or addition is implemented.

MY2010/11 imports will likely increase to 13,000 tons, close to the TRQ level of 13,760 tons committed to the WTO, due to a sugar shortage panic resulting from rumors of tight supplies at the beginning of the year. However, in MY2011/12 sugar imports are forecast to decline to marginal levels in anticipation of significant increases in domestic supplies.

Stocks:

MY2010/11 sugar stocks are revised up slightly to 2.3 million due to the slowdown in consumption. Meanwhile, MY2011/12 sugar stocks are revised down in anticipation of an increase in exports.

Policy:

The Government will likely maintain its price control policy on sugar set on May 1, 2008 at 19 baht/kg ($29 cent/lb) for refined sugar, ex factory wholesale (excluding 7 percent Value Added Tax). The retail price (include Value Added Tax) are set at 21.85 baht/kg ($33 cent/lb) for white sugar, and 22.85 baht/kg ($35 cent/lb) for refined sugar. The government will receive revenue from the Value-Added Tax collected on domestic sales of sugar, which will be used for the state-run Cane and Sugar Fund's debt repayment to the Bank for Agriculture and Agricultural Cooperatives (BAAC) from the price support program.

According to the government, from the 3.0 billion baht ($100 million) three year soft loan approved on September 7, 2010 for cane growers to buy harvesters to improve their efficiency, these have applied for approximately 1.4 billion baht ($47 million) of the loan. They have purchased both new and used cane harvesters mainly from Australia and the U.S. The U.S. harvesters account for approximately half of the market share. This will help increase harvest efficiency in order to fulfill the increasing demand from the additional new sugar facilities from the existing 47 mills with milling capacity of 0.9 million tons/day to 50 mills with capacity of approximately 1.0 million tons/day in MY2012/13.

As for import policy, despite the applied tariff rate of 3.5 baht/kg ($5.29 cent/lb), the government import policy adheres to its WTO commitments of a 65 percent tariff rate under a quota of 13,760 tons. Meanwhile, the out-of-quota tariff is 94 percent.

Production, Supply and Demand Data Statistics:

Table 1: Thailand's Sugarcane Production

Sugar Cane for Centrifugal Thailand	2009/2010		2010/2011		2011/2012		
	Market Year Begin: Dec 2009		Market Year Begin: Dec 2010		Market Year Begin: Dec 2011		unit
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Planted	1,055	1,050	1,090	1,250		1,300	(1000 HA)
Area Harvested	1,035	1,030	1,070	1,200		1,280	(1000 HA)
Production	68,700	69,000	68,300	95,700		100,000	(1000 MT)
Total Supply	68,700	69,000	68,300	95,700		100,000	(1000 MT)
Utilization for Sugar	68,500	68,800	68,000	95,400		99,700	(1000 MT)
Utilizatn for Alcohol	200	200	300	300		300	(1000 MT)
Total Utilization	68,700	69,000	68,300	95,700		100,000	(1000 MT)

Table 2: Thailand's Sugar Production, Supply and Demand

Sugar, Centrifugal Thailand	2009/2010		2010/2011		2011/2012		
	Market Year Begin: Dec 2009		Market Year Begin: Dec 2010		Market Year Begin: Dec 2011		unit
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Beginning Stocks	2,556	2,556	2,343	2,343	2,103	2,319	(1000 MT)
Beet Sugar Production	0	0	0	0	0		(1000 MT)
Cane Sugar Production	6,930	6,930	9,160	9,663	9,700	10,170	(1000 MT)
Total Sugar Production	6,930	6,930	9,160	9,663	9,700	10,170	(1000 MT)
Raw Imports	0	0	0	0	0	0	(1000 MT)
Refined Imp.(Raw Val)	7	7	0	13	0	0	(1000 MT)
Total Imports	7	7	0	13	0	0	(1000 MT)
Total Supply	9,493	9,493	11,503	12,019	11,803	12,489	(1000 MT)
Raw Exports	2,120	2,120	3,500	4,400	3,800	4,900	(1000 MT)
Refined Exp.(Raw Val)	2,810	2,810	3,400	3,000	3,500	3,800	(1000 MT)
Total Exports	4,930	4,930	6,900	7,400	7,300	8,700	(1000 MT)
Human Dom. Consumption	2,220	2,220	2,500	2,300	2,800	2,400	(1000 MT)
Other Disappearance	0	0	0	0	0	0	(1000 MT)
Total Use	2,220	2,220	2,500	2,300	2,800	2,400	(1000 MT)
Ending Stocks	2,343	2,343	2,103	2,319	1,703	1,389	(1000 MT)
Total Distribution	9,493	9,493	11,503	12,019	11,803	12,489	(1000 MT)

Table 3: Thailand's Sugar and Molasses Yield and Prices

	MY 2009/2010	MY 2010/2011 (Estimate)	MY 2011/2012 (Forecast)
Yield per metric ton of cane			
Sugar (kg.)	101.17	101.33	104.00
Molasses (kg.)	43.48	44.41	43.00
Farm price (ex-factory): Baht/ton	1,000	1,000 - 1,200	1,000
Wholesale prices			
Sugar (Baht/100 kg.)	2,033	2,033	2,033
Molasses (Baht/ton)	4,100	4,000	3,800

Table 4: Thailand's Total Exports of Sugar

Unit: Metric tons (raw value)

	2007	2008	2009	2010	Jan. - Jun. 2010	Jan. - Jun. 2011	% change
U.S.	21,318	12,259	14,095	22,868	15,686	15,909	1.4
Indonesia	1,423,461	1,665,828	1,004,884	1,304,964	1,163,024	941,256	-19.1
Japan	560,483	916,460	724,676	533,903	275,955	610,955	121.4
China	220,503	121,830	195,141	25,511	14,766	174,234	1080.0
Malaysia	214,669	67,090	52,778	156,234	135,110	281,876	108.6
South Korea	52,463	263,672	151,418	134,804	113,186	370,323	227.2
Cambodia	217,013	299,141	493,914	468,756	294,756	175,812	-40.4
Taiwan	83,381	431,978	298,451	88,042	53,719	126,983	136.4
Russia	53,711	141,706	30,661	31,652	31,652	133,928	323.1
Singapore	219,554	112,144	135,280	109,138	69,067	86,491	25.2
India	-	-	327,560	349,268	341,815	3,206	-99.1
Other	1,608,782	1,016,629	1,868,754	1,393,108	978,489	1,296,636	32.5
Total	**4,675,338**	**5,048,737**	**5,297,612**	**4,618,248**	**3,487,225**	**4,217,609**	**20.9**

Source: Office of Cane and Sugar Board

Table 5: Thailand's Exports of Raw Sugar (MTRV)

Destination	2006	2007	2008	2009	2010	Jan. - Jun. 2010	Jan. - Jun. 2011	% Change
China	221,503	160,292	20,520	115,086	4,617	-	134,739	-
Indonesia	196,017	736,749	1,094,179	854,174	782,081	655,988	855,867	30.5
Japan	543,908	557,482	916,460	724,660	533,887	275,939	610,938	121.4
North Korea	-	-	-	41,450	20,273	7,182	9,496	32.2
South Korea	38,376	48,316	246,516	141,589	134,261	112,963	356,659	215.7
Malaysia	31,190	182,963	26,933	24,747	120,375	116,759	266,016	127.8
Philippines	-	205	-	-	29,365	20,920	2,822	-86.5
Russia	38,885	53,711	141,200	27,907	31,652	31,652	133,153	320.7
Singapore	221	128	1,334	1,539	7,206	1,129	2,283	102.2
Sri Lanka	4,361	14,877	18,771	12,877	8,824	8,824	4,104	-53.5
Tanzania	770	54,070	6,618	8,297	1,539	1,539	2,334	51.7
Taiwan	53,282	62,059	246,061	180,675	56,367	28,060	53,282	89.9
United States	24,939	21,299	12,259	14,095	22,868	15,686	15,909	1.4
UAE	-	-	221	257	-	-	-	-
Vietnam	51,505	11,126	41,626	23,598	81,372	27,702	23,906	-13.7
Others	16,890	68,163	8,725	100,915	138,547	133,066	328,197	146.6
Total	1,221,847	**1,971,440**	**2,781,423**	**2,271,866**	**1,973,234**	**1,437,409**	**2,799,705**	**94.8**

Source: Office of the Cane and Sugar Board, Ministry of Industry

Table 6: Thailand's Exports of White and Refined Sugar (MTRV)

Destination	2006	2007	2008	2009	2010	Jan. - Jun. 2010	Jan. - Jun. 2011	% change
Bangladesh	116,967	16,846	535	98,160	2,140	2,140	-	-
Brunei	5,033	5,707	6,247	11,775	6,337	3,146	3,281	4.3
Burma	5,711	3,691	3,913	5,493	13,086	5,158	14,825	187.4
Cambodia	257,147	217,013	299,141	486,352	468,756	297,756	175,812	-41.0
China	8,780	60,211	101,310	80,054	20,894	14,766	39,494	167.5
India	-	-	-	327,560	348,499	341,046	3,206	-99.1
Indonesia	115,279	686,712	571,649	150,711	522,883	507,036	85,389	-83.2
Iran	17,816	252,621	45,138	6,993	-	-	4,013	-
Jordan	17,687	45,143	1,231	17,174	27	-	10,165	-
North Korea	32,085	17,246	62,786	2,467	5,230	5,230	4,140	-20.8
South Korea	793	1,244	17,126	9,830	544	223	13,664	6,027.4
Kenya	1,252	8,710	2,181	21,438	5,566	2,969	1,605	-45.9
Laos	51,122	26,376	48,318	63,915	31,987	11,984	11,146	-7.0
Malaysia	12,136	31,706	40,158	28,030	35,858	18,351	15,861	-13.6
Maldives	1,035	-	749	1,418	776	321	482	50.2
Pakistan	18,138	3,570	15,856	148,734	178,485	129,693	1,819	-98.6
Philippines	33,606	95,537	103,143	82,982	266,813	145,538	115,174	-20.9
Russia	259	-	506	2,495	-	-	776	-
Saudi Arabia	1,873	9,131	25,562	35,153	803	803	13,257	1,550.9
Singapore	29,308	219,426	110,811	35,135	101,933	67,939	84,208	23.9
Somalia	-	-	-	51,750	-	-	-	-
Sri Lanka	87,163	38,249	23,063	140,708	68,108	50,622	20,771	-59.0
Syria	1,739	41,542	6,153	-	-	-	4,548	-
Tanzania	134	20,444	4,727	22,259	9,071	8,643	22,128	156.0
UAE	26,568	64,354	53,498	100,511	21,645	21,324	36,532	71.3
Vietnam	10,983	34,053	59,546	110,217	179,179	126,104	145,565	15.4
Yemen	-	249,779	6,741	31,539	1,498	856	2,605	204.3
Others	172,249	554,587	657,226	952,893	354,896	264,914	587,439	121.7
Total	**1,024,863**	**2,703,898**	**2,267,314**	**3,025,746**	**2,645,014**	**2,026,562**	**1,417,905**	**-30.0**

Source: Office of the Cane and Sugar Board, Ministry of Industry

Table 7: Thailand's Monthly Export Prices (F.O.B.) of Raw Sugar (Baht/Ton)

Month	2005	2006	2007	2008	2009	2010	2011
January	6,763	10,226	9,715	8,463	9,380	12,761	15,398
February	7,984	8,991	9,812	8,457	10,741	14,685	14,700
March	8,318	10,495	8,915	8,398	11,480	14,028	16,589
April	8,291	10,409	8,807	8,594	11,123	14,865	16,078
May	8,848	11,385	8,391	8,491	11,655	13,865	15,832
June	8,558	11,871	8,238	8,758	11,803	13,558	15,731
July	8,699	12,315	7,645	8,917	11,649	13,719	N.A.
August	8,768	12,407	8,590	9,163	11,942	13,890	N.A.
September	8,832	12,599	7,909	8,949	11,162	13,446	N.A.
October	8,889	11,658	7,167	9,278	11,614	12,695	N.A.
November	8,746	9,963	8,189	9,469	11,361	12,240	N.A.
December	8,385	11,151	8,215	9,644	12,736	15,034	N.A.
Average	8,561	11,389	8,502	8,882	11,465	13,928	15,722
Avg. Exchange rates (Baht/U.S.$)	40.22	37.88	34.52	33.31	34.29	31.69	30.51

Source: Office of the Cane and Sugar Board, Ministry of Industry

Table 8: Thailand's Monthly Export Prices (F.O.B.) of Plantation White Sugar (Baht/Ton)

Month	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
January	9,549	10,226	11,994	10,100	10,615	17,864	17,449
February	9,923	12,471	11,498	9,254	10,832	16,952	19,827
March	10,063	14,286	10,738	10,104	11,232	17,684	16,006
April	10,251	13,396	11,042	10,085	11,609	17,418	18,932
May	10,357	13,673	10,722	10,818	11,651	17,069	17,995
June	10,443	14,898	10,470	10,239	13,239	16,489	18,257
July	10,929	15,016	10,251	16,789	13,446	16,773	N.A.
August	11,186	13,786	10,132	10,459	13,391	18,100	N.A.
September	10,806	14,496	10,202	11,762	14,077	18,868	N.A.
October	11,475	13,745	9,112	11,987	14,439	16,826	N.A.
November	11,399	12,859	9,616	10,855	15,211	22,320	N.A.
December	11,236	15,552	9,522	11,253	15,855	20,077	N.A.
Average	10,378	13,835	10,505	11,142	12,966	17,358	18,078
Avg. Exchange rates (Baht/U.S.$)	40.22	37.88	34.52	33.31	34.29	31.69	30.51

Source: Office of the Cane and Sugar Board, Ministry of Industry

Table 9: Thailand's Average Prices of Domestic Plantation White Sugar and Sugarcane

Calendar	Plantation White Sugar		Sugarcane	
Year	Wholesale	Retail	Initial	Actual
	(Baht/100 kg.)	(Baht/kg.)	(Baht/metric ton)	
1980	1,011	11.65	Nil	650
1981	1,019	11.51	Nil	510
1982	1,075	11.94	350	381
1983	1,091	12.00	421	421
1984	1,162	12.00	395	380
1985	1,097	12.00	330	388
1986	1,099	12.00	375	408
1987	1,097	12.00	405	462
1988	1,098	12.00	450	527
1989	1,098	12.00	460	596
1990	1,099	12.00	460	442
1991	1,099	12.00	399	480
1992	1,099	12.00	420	516
1993	1,099	12.00	490	533
1994	1,099	12.00	520	569
1995	1,099	12.00	500	538
1996	1,099	12.00	500	561
1997	1,099	12.00	600	703
1998	1,100	12.50	500	485
1999	1,100	12.50	450	478
2000	1,177	12.50	600	693
2001	1,177	13.25	530	520
2002	1,177	13.25	500	531
2003	1,177	13.25	465	504
2004	1,177	13.25	620	658
2005	1,177	13.25	800	847
2006	1,498	16.5	800	702
2007	1,498	16.5	638	672
2008	2,033	21.85	830	918
2009	2,033	21.85	965	1,000
2010	2,033	21.85	1,045	N.A.

Note:

* The revenue sharing system of 70:30 to cane planters and millers started in 1982/83 when the initial cane price began to be quoted.
* The purchasing cane based on C.C.S. system starts in 1993/94 crushing season with the standard quality of cane at 10 C.C.S.
* Average final cane price has been split into different assessments for different regions since 1996/97.
* The retail price of plantation white sugar raised to 13.25 baht/kg in Jun. 2, 2000.
* Wholesale prices and retail prices of plantation white sugar raised to 1,498 baht/kg and 16.50 baht/kg, respectively, on Mar. 7, 2006.
* Wholesale prices and retail prices of plantation white sugar raised to 2,033 baht/kg and 21.85 baht/kg, respectively, on May 1, 2008.

Source: Office of the Cane and Sugar Board, Ministry of Industry

Table 10: Thailand's Sugar Utilization by Industry

Unit: Metric Ton

Type of Industry	2006	2007	2008	2009	2010
BEVERAGES (Exluding Alcoholic Drink)					
Refined Sugar	296,127	213,037	215,573	232,063	277,504
White Sugar	65,635	134,982	148,359	149,727	170,309
Sub - Total	361,762	348,019	363,932	381,790	447,813
CAKE & BREAD and Alcoholic Drink					
Refined Sugar	11,618	10,123	9,236	3,987	1,031
White Sugar	9,624	12,695	13,955	10,981	14,028
Sub - Total	21,242	22,818	23,191	14,968	15,059
FRUIT & FOOD PRODUCTS					
Refined Sugar	146,172	80,250	67,099	68,584	103,300
White Sugar	134,755	129,500	127,951	119,451	155,598
Sub - Total	280,927	209,750	195,050	188,035	258,898
DAIRY PRODUCTS					
Refined Sugar	48,666	28,110	33,985	35,857	51,056
White Sugar	92,698	116,905	116,544	129,472	145,697
Sub - Total	141,364	145,015	150,529	165,329	196,753
CONFECTIONARY PRODUCTS					
Refined Sugar	8,811	7,760	6,095	7,169	7,178
White Sugar	22,769	15,619	15,882	54,104	25,806
Sub - Total	31,580	23,379	21,977	61,273	32,984
PHARMACEUTICAL PRODUCTS					
& MISCELLANEOUS					
Refined Sugar	18,759	15,485	8,018	17,353	20,981
White Sugar	1,994	568	916	3,309	3,041
Sub - Total	20,753	16,053	8,934	20,662	24,022

Source: Production and Distribution Administration Center, Office of Cane and Sugar Board

End of Report